

Message Text

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20

ACTION EUR-12

INFO OCT-01 IO-11 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 CEA-01 STR-04

/107 W

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R 211702Z JAN 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 5272

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMCONSUL MARSEILLE

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION MTN GENEVA

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E.O. 11652: N/A

TAGS: EAGR, EEC, IT, FR

SUBJECT: FRANCE-ITALY "WINE WAR" - HEATING UP AGAIN

REF: (A) PARIS 1294, (B) MARSEILLE 13

SUMMARY: FRENCH MEASURES AGAINST ITALIAN WINE EXPORTS AND
GOF CUSTOMS HARASSMENT OF OTHER ITALIAN EXPORTS HAVE PRODUCED
STRONG ITALIAN REACTION. PRESS HAS SEVERELY CRITICIZED GOF

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AND WIDELY REPORTED GOI RETALIATION APPARENTLY UNDER CONSIDER-

ATION. WHILE NO FINAL DECISION HAS BEEN TAKEN ON LATTER, GOI HAS INSISTED THAT GOF BACK DOWN ON COMPENSATORY LEVIES. ISSUE APPARENTLY NOT RESOLVED DURING EC AGRICULTURAL MINISTERS MEETING JANUARY 20-21 IN BRUSSELS; GOI EXPECTS MATTER TO COME TO A HEAD WITHIN NEXT TWO WEEKS. END SUMMARY.

1. AS SEEN BY ITALIANS, JANUARY 14 GOF MEASURES (REF A) DESIGNED TO CURB FRENCH IMPORTS OF ITALIAN WINES IS SERIOUSLY IMPEDING EFFORTS TO REACH AN AMICABLE, NEGOTIATED SOLUTION TO THE FRANCE-ITALY QTE WINE WAR UNQTE. ACCORDING TO MFA REP FUXA (CHIEF, GATT-EC ECONOMIC AFFAIRS OFFICE), GOI REGARDS GOF PLAN TO ASK EC TO ESTABLISH COMPENSATORY LEVIES AS PARTICULARLY THREATENING TO ITALIAN WINE EXPORTS WHICH, IF GRANTED, WOULD EFFECTIVELY END ITALIAN COMPETITIVE ADVANTAGES STEMMING FROM FORMAL AND DE FACTO DEVALUATIONS OF QTE GREEN LIRA UNQTE.

2. PROBLEM IS COMPLICATED BY ALLEGED GOF CUSTOMS HARASSMENT OF ITALIAN EXPORTS OF WOOD PRODUCTS, FURNITURE, TEXTILES, CLOTHING AND SHOES. ACCORDING TO FUXA, FRENCH CUSTOMS AUTHORITIES ARE QTE FOLLOWING SPECIFIC INSTRUCTIONS FROM PARIS UNQTE. WHILE FUXA IS MORE INCLINED TO ATTRIBUTE GOF MEASURES TO BALANCE-OF-PAYMENTS PROBLEMS ASSOCIATED WITH GOF ADHERENCE TO THE MONETARY "SNAKE" THAN TO WISH TO PUT PRESSURE ON ITALY TO ACCEDE TO GOF WINE MEASURES, LINKAGE IS INEVITABLE.

3. MEDIA HAS GIVEN BROAD COVERAGE TO ISSUE AND PARTICULARLY TO CUSTOMS HARASSMENT REPORTS. IT HAS SUPPORTED REPORTED GOI PLANS FOR RETALIATION AGAINST FRENCH EXPORTS TO ITALY, NOTING PRESSURES ON GOI FROM ITALIAN WINE GROWERS AND AFFECTED EXPORTERS. COVERAGE OF GOI AGRICULTURE MINISTER MARCORA'S REMARKS IN BRUSSELS ("OUR (ITALIAN) SENSE OF RESPONSIBILITY SHOULD NOT BE TAKEN AS A SIGN OF WEAKNESS," AND, PARTICULARLY, INTIMATIONS THAT IF FRANCE DESIRES A COMMERCIAL WAR, ITALY IS READY) HAS BEEN AMPLE AND APPROVING. GOF AGRICULTURE MINISTER BONNET'S CHARACTERIZATION OF MARCORA AS QTE RESIGNED MINISTER UNQTE HAS NOT IMPROVED CLIMATE.

4. MINISTRY OF FOREIGN TRADE OFFICIAL JANUARY 20 CONFIRMED TO EMBOFF THAT COUNTERMEASURES WERE BEING STUDIED, BUT DECLINED LIMITED OFFICIAL USE

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TO TLABORATE. NEWSPAPER REPORTS OF PURPORTED JANUARY 16 INTERMINISTERIAL MEETING NOTED THAT ITALIAN CUSTOMS AUTHORITIES MAY BEGIN RIGOROUS TESTING OF FRENCH CALFS FOR EVIDENCE OF HORMONES AND OTHER COMMONLY-USED FEED SUPPLEMENTS, PROHIBITED BY ITALIAN LAW. THIS MEASURE COULD SERIOUSLY AFFECT SUBSTANTIAL FRENCH VEAL EXPORTS TO ITALY. ITALY COULD ACTIVATE MEASURES NOMINALLY USED TO ASCERTAIN THE ACCURACY OF INVOICES (TO AVOID ILLEGAL CAPITAL EXPORT) PRIOR TO ISSUING EXPORT

PERMITS, A PROCESS WHICH COULD TAKE MONTHS AND AFFECT FRENCH EXPORTS ON A WIDE-RANGE OF PRODUCTS.

5. ACCORDING TO FUXA, GOF EXCALATION IS FORCING GOI TO ABANDON ITS EARLIER MEASURED AND QTE RESPONSIBLE UNQTE ATTITUDE. GOI HAS NO DESIRE TO THREATEN FUNDAMENTAL EC STRUCTURES, BUT RETALIATION SEEN NECESSARY IF GOF DOES NOT AGREE TO DROP ALL REFERENCES TO THE APPLICATION OF COMPENSATORY LEVIES AND TO ENTER INTO NEGOTIATIONS ON REMAINING JANUARY 14 MEASURES. TIMING IS A PROBLEM; FUXA EXPECTS THAT THE NEXT FEW WEEKS WILL BE CRITICAL. MOST IMPORTANT FACTOR WILL BE OUTCOME OF UPCOMING MEETINGS BETWEEN BONNET AND MARCORA. SENSITIVITY OF THESE ENCOUNTERS WAS UNDERLINED BY WINE POLICY EXPERT IN MINAG, WHO DECLINED FURTHER COMMENT PENDING RETURN OF THIS SUPERIORS FROM BRUSSELS.

6. COMMENT: CHRISTIAN DEMOCRATS (DC) CURRENTLY IN CARE-TAKER ROLE ARE NOT RPT NOT IN A POSITION TO RESIST INDEFINITELY PRESSURES FOR ACTION. MEASURED RESPONSE THUS FAR WILL BE INTERPRETED DOMESTICALLY AS WEAKNESS IN THE FACE OF CONTINUED GOF ACTIONS, APPARENTLY CONTRAVENING EC REGULATIONS, AIMED AT REDUCING ITALIAN WINE EXPORTS. PARTICULARLY IMPORTANT TO THE DC IS THAT MOST AFFECTED ITALIAN WINE-GROWERS ARE FROM ITALY'S UNDER-DEVELOPED SOUTH, LONG A DC FIEFDOM. VOLPE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WINES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ROME01030
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760024-0105
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760135/aaaabelj.tel
Line Count: 139
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 PARIS 1294, 76 MARSEILLE 13
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 26 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 MAR 2004 by izenbei0>; APPROVED <13 MAY 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRANCE-ITALY "WINE WAR" - HEATING UP AGAIN
TAGS: EAGR, IT, FR, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006